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PUBLIC EMPLOYEES RETIREMENT BOARD MEETING

September 21, 2020

9:30 A.M.

A regular meeting of the Public Employees Retirement Board (PERB) convened at 9:32 a.m., Monday September 21, 2020, in the 1526 Building, 4th Floor, Conference Room 4D, 1526 “K” Street, Lincoln, Nebraska, and held via WebEx services.

The Board members were notified of this meeting by Agenda posted on the PERB SharePoint website on Friday, September 18, 2020. Public notice of this meeting was published in the Lincoln Journal Star and Omaha World Herald on Monday, September 14, 2020. J. Elliot chaired the meeting and T. Cummings recorded the minutes.

MEMBERS PRESENT: JANIS ELLIOTT, CHAIR
 KELLI ACKERMAN, VICE-CHAIR
 JUDGE J. DERR
 PAM LANCASTER
 JIM SCHULZ
 ALLEN SIMPSON
 MIKE JAHNKE
 MICHAEL WALDEN-NEWMAN, EX-OFFICIO

MEMBERS ABSENT: NONE

NONMEMBERS PRESENT:

RANDY GERKE Director	HEATHER CRITCHFIELD-SMITH Education Services Trainer
TERESA ZULAUF Controller	KATE ALLEN Retirement Committee Legal Counsel
TIM BAKER Internal Auditor	CECELIA CARTER Omaha School Employees’ Retirement System
JACK HARDY Information Technology Manager	NANCY REIMER Ameritas
MELISSA NUSS Retirement Plan Manager	PAT BECKHAM Cavanaugh Macdonald
TYLER CUMMINGS Retirement Plan Manager	BRENT BANISTER Cavanaugh Macdonald
DEAN GRESS Senior IT Applications Developer	NEIL SULLIVAN State Budget Office
JOHNETTA LANG Data Services Lead	ERIC ASBOE Nebraska Supreme Court

Agenda Item 1: J. Elliott stated this meeting will follow the Nebraska Open Meetings Act and a copy of the Act is located on the front table, and electronically, via a link on the final agenda posted on the Nebraska Public Employees Retirement Systems' (NPERS) website, and on the Attorney General's website.

Agenda Items 2 and 3 – Meeting Called to Order: J. Elliott called the September 21, 2020, Board Meeting to order at 9:32 a.m. Present at roll call: J. Elliott, K. Ackerman, J. Derr, P. Lancaster, M. Jahnke, A. Simpson, J. Schulz, and Michael Walden-Newman.

Agenda Item 4 – Approval of Minutes: J. Schulz moved for approval of the minutes of the August 17, 2020, Board Meeting. Motion was seconded by J. Derr. Members voted as follows: For: K. Ackerman, J. Derr, P. Lancaster, M. Jahnke, A. Simpson, and J. Schulz. Abstain: J. Elliot. Against: None. Motion carried.

Agenda Item 5 – Approval of Budget Status Report & August Retirement Report: K. Ackerman moved to approve the Budget Status Report and the August 2020 Retirement Report. Motion was seconded by P. Lancaster. Members voted as follows: For: J. Elliott, K. Ackerman, J. Derr, P. Lancaster, M. Jahnke, A. Simpson, and J. Schulz. Against: None. Motion carried.

Agenda Item 6 – Public Comments or Correspondence from Citizens: There were no public comments or correspondence from citizens with business not scheduled on the agenda.

Agenda Item 7 – Experience Study: Preliminary Discussion on Economic Assumptions: J. Elliott stated this is a preliminary discussion presented by P. Beckham and B. Banister from Cavanaugh Macdonald. B. Banister mentioned the PERB may elect all, some, or none of the assumptions presented by Cavanaugh Macdonald, at a later date. It was discussed this is a presentation of the factors, information, and methods for developing recommended Experience Study assumptions. There are two sets of assumptions: economic and demographic.

Cavanaugh Macdonald must follow Actuarial Standard of Practice (ASOPs). B. Bannister stated an Experience Study is required every four years, by statute. This study covers Fiscal Year 2015 to 2019 for the School, Patrol, and Judges Plan and Calendar Year 2016 through 2019 for the State and County Plans.

P. Beckham stated there is a considerable amount of time for the PERB to consider evaluating current assumptions. J. Elliot confirmed it is the PERB's decision to change assumptions. B. Bannister stated the PERB could make changes incrementally and stated other plans have elected incremental changes.

For the October PERB meeting, the actuaries proposed a follow-up on economic assumptions and a presentation of recommendations on demographic assumptions and actuarial methods. In November or December, the PERB may review recommendations, have further discussion, and take possible action on recommendations.

The Board took a break at 11:15 a.m. and reconvened at 11:31 a.m.

Agenda Item 8 – Investment Officer’s Report: M. Walden-Newman reported markets rebounded in the second quarter after decreases in the first quarter. He stated they have wide ranges for benchmark targets. Fiscal year to date returns for the DB plans is 2.2%. The reporting for the private equity and real estate portfolios are lagged by three months in the Investment Reports. The negative returns on these two groups are included in the 2.2% YTD return. He stated the benchmarks are not lagged. These two categories make up about 12.5%, which is significant and has an impact on the rate of return.

The auditors will wait for the private equity and real estate returns to come in for their final report. M. Walden-Newman stated these two investment groups’ funds are invested in hundreds of private companies. The real estate investments have hundreds of property investments. This can lead to a lag in reporting due to the high number of financial assets that are involved.

M. Walden-Newman stated they use March 31 returns and not June 30 numbers. Aon does capital market assumptions four times a year. M. Walden-Newman stated even though Aon updates capital market assumptions quarterly, the assumptions used in all Council and NPERS reports are Aon’s September estimates using data through June 30 of each year.

M. Walden-Newman stated the projected returns for the DB plans for 10 years is 5.7% and for 30 years is 6.3%. The projected returns have had a downward trend since 2011.

M. Walden-Newman stated that Private Equity and Emerging Markets are the only assets that have been higher than the expected returns. He stated that the Nebraska Investment Council has been in private equity since around 2007. He stated that now they are starting to see some actual fully realized investments.

J. Derr moved to approve the Nebraska Investment Officer’s Report. Motion was seconded by A. Simpson. Members voted as follows: For: J. Elliott, K. Ackerman, J. Derr, P. Lancaster, M. Jahnke, A. Simpson, and J. Schulz. Against: None. Motion carried.

Agenda Item 9 – Director’s Report: R. Gerke gave the Director’s Report.

- R. Gerke provided a summary the Omaha School Employees Retirement System (OSERS) study conducted for the Legislative Committee.
- The Biennial Budget request for the 2021-2023 fiscal years has been completed. The budget changed slightly as there was a decrease in the accounting assessments.
- R. Gerke mentioned that the School, Judges, and Patrol audit should start in September and he suggested the Audit Committee should meet soon.
- R. Gerke discussed MassMutual is in the process of selling its retirement business.
- The online Non-Contributing form project is still underway and seventy schools have already signed up for the project. NPERS is discussing making it mandatory to report these electronically in 2021.

- Member Services is planning to offer virtual office visits in the future. Member Services also wants to implement a customer service satisfaction survey in order to receive feedback from members.
- Seminar videos have been posted on the NPERS website.
- R. Gerke reported J. Winkelman retired in September and that his position is now open. H. Critchfield-Smith has stepped up during J. Winkelman's absence. She will be conducting a Patrol seminar on September 29, 2020.
- The Retirement Specialist I and Staff Assistant I positions have been filled. NPERS is waiting on a Position Description Questionnaire (PDQ) for the Data Services Manager position. He stated the Auditor I position has been posted as well. NPERS has seen a lot of internal hires during the past month which R. Gerke feels is beneficial for the Agency.
- The National Council on Teacher Retirement (NCTR) conference is virtual this year and will take place from October 12th to 14. R. Gerke requested permission to attend this virtual conference

P. Lancaster moved to approve the Director's request to attend the NCTR virtual conference. Motion was seconded by J. Derr. Members voted as follows: For: J. Elliott, K. Ackerman, J. Derr, P. Lancaster, M. Jahnke, A. Simpson, and J. Schulz. Against: None. Motion carried.

K. Ackerman moved to approve the Director's Report. Motion was seconded by P. Lancaster. Members voted as follows: For: J. Elliott, K. Ackerman, J. Derr, P. Lancaster, M. Jahnke, A. Simpson, and J. Schulz. Against: None. Motion carried.

Agenda Item 10 – Board Committee Reports: J. Schulz reported on the Legislative Committee meeting. The summary began in early 2020 and suggested courses of action for the seventeen points in the compliance audit. J. Schulz believes NPERS is in a good position.

J. Schulz stated the goal is to keep these changes out of the statute or regulation and instead use PERB policy. The nine issues that do not need guidance are in motion or have already been resolved.

J. Schulz discussed two items regarding the School, State, and County plans. He stated NPERS allows for overpayments or Purchase of Service (POS) with pre-tax dollars. He stated NPERS will need to change this to post-tax payments and will need to discuss this issue with K. Allen and the Legislative Retirement Committee.

J. Schulz mentioned bona fide termination issues regarding the DB plans. He stated the options for change is to modify the plan, to receive a private letter ruling, or to address independent contractor status. He said the recommendation is to continue employer education and to possibly meet with the key stakeholders.

J. Schulz discussed how NPERS should pay earnings on overpayments or repayments. The recommendation is the PERB has the authority to change these rates though this would require a statutory change.

J. Schulz continued on to discuss how to return mistaken contributions for all Plans. Changes would be made based on if it has been less than a year or more than a year. J. Schulz mentioned O. Hill stated there are two options: regulation or statute change. The recommendation is to fix this issue with a regulation modification.

J. Schulz discussed the lost participant searches have been conducted via regular mail but the recommendation is to conduct these searches through certified mail. NPERS has already undertaken this change.

J. Schulz reported on the State unclaimed property alternatives. He mentioned if we cannot find a participant, one alternative is to leave the money in the Plan. J. Schulz stated there are other issues in front of the Retirement Legislative Committee and the recommendation is to remain the status quo.

J. Schulz discussed the health and dental insurance options provided under the School plan, which allows members to make payments with pre-tax dollars. At this point, he stated the recommendation is to educate schools or employers on this matter rather than pursuing a statute change.

J. Schulz mentioned a Plan amendment in regards to Deferred Compensation Plan rollovers to clarify NPERS does not allow for post-tax or Roth rollovers. O. Hill will be drafting this change over the next few months.

The PERB Legislative Committee adopted changes recommended by O. Hill.

J. Schulz moved to approve the recommendations of the PERB Legislative Committee. Motion was seconded by K. Ackerman. Members voted as follows: For: J. Elliott, K. Ackerman, J. Derr, P. Lancaster, M. Jahnke, A. Simpson, and J. Schulz. Against: None. Motion carried.

Agenda Item 11 – Board Education/Travel Requests: J. Elliott requested approval to attend the NCTR virtual conference from October 12 to 14. J. Derr moved to approve J. Elliott's request to attend the NCTR virtual conference. Motion was seconded by A. Simpson. Members voted as follows: For: K. Ackerman, J. Derr, P. Lancaster, M. Jahnke, A. Simpson, and J. Schulz. Abstain: J. Elliott. Against: None. Motion carried.

Agenda Item 12 – Future Meetings/Agendas: The next PERB meeting is on Monday, October 19, 2020, in the 1526 Building, in Hearing Room 4-D.

R. Gerke mentioned using WebEx for future meetings. J. Hardy mentioned using WebEx on iPad could create audio feedback. J. Elliott suggested each person could mute themselves until it was his or her turn to talk. J. Hardy mentioned we could use a different room that is setup for virtual meetings.

Agenda Items 13 and 14 – Executive Session: At 12:29 p.m., J. Derr moved that the Board exit Regular Session and convene in Executive Session for the purpose of discussing D-20-11; Prevention of Needless Injury to the Reputation of an Individual. Motion was seconded by M. Jahnke. J. Elliott repeated the motion for the record. Members voted as follows: For: J. Elliott, K. Ackerman, J. Derr, P. Lancaster, M. Jahnke, A. Simpson, and J. Schulz. Against: None. Motion carried.

At 1:11 p.m., P. Lancaster moved the Board exit Executive Session and reconvene in Regular Session. Motion was seconded by J. Derr. Members voted as follows: For: J. Elliott, K. Ackerman, J. Derr, P. Lancaster, M. Jahnke, A. Simpson, and J. Schulz. Against: None. Motion carried.

J. Derr moved for approval of Case Review No. D-20-11. M. Jahnke seconded the motion. Members voted as follows: For: J. Elliott, K. Ackerman, J. Derr, P. Lancaster, M. Jahnke, A. Simpson, and J. Schulz. Against: None. Motion carried.

Adjournment: P. Lancaster moved that the meeting adjourn. Motion was seconded by K. Ackerman. Members voted as follows: For: J. Elliott, K. Ackerman, J. Derr, P. Lancaster, M. Jahnke, A. Simpson, and J. Schulz. Against: None. Motion carried.

The meeting adjourned at 1:14 p.m.

A handwritten signature in black ink, appearing to read "Randy Gerke". The signature is stylized with a large initial "R" and a distinct "G".

Randy Gerke
Director